

FEDERAL RESERVE SYSTEM

Chickasaw Banc Holding Company
Yukon, Oklahoma

Order Approving the Formation of a Bank Holding Company and the Acquisition of a Bank Holding Company and Bank and Unaffiliated Branch

Chickasaw Banc Holding Company (“Chickasaw”)¹ has requested the Board’s approval under section 3(a)(1) of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring all the voting shares of First Bancorp in Davidson, Inc. (“First Bancorp”) and its subsidiary, First State Bank in Davidson (“Bank”), both in Davidson, Oklahoma. In addition, Bank has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”) (12 U.S.C. § 321) to become a member of the Federal Reserve System and to operate Bank as a branch office. Bank also has sought Board approval under section 18(c) of Federal Deposit Insurance Act (the Bank Merger Act (“BMA”)) (12 U.S.C. § 1828(c)) to acquire certain assets and assume certain liabilities of a branch of First National Bank of Oklahoma, Ponca City, at 909 South Meridian, Oklahoma City, both in Oklahoma (“Meridian branch”).²

Notice of the proposal, affording interested persons an opportunity to comment, has been published (66 Federal Register 52,416

¹ Chickasaw Banc Holding Company is a wholly owned subsidiary of the Chickasaw Nation, a Native American tribe.

² After consummation of the proposal, Bank would move its main office to the Meridian branch location and retain the Davidson, Oklahoma, office as a branch.

(2001)). The time for filing comments has expired, and the Board has considered all the comments received on the applications, in light of the factors enumerated in section 3(c) of the BHC Act, the FRA, and the BMA.

Chickasaw, a newly organized corporation that currently does not control any depository institution, has been formed to acquire First Bancorp and Bank. Bank, which has one branch in Davidson, Oklahoma, is the 266th largest depository institution in Oklahoma,³ controlling \$7.5 million in deposits, representing less than 1 percent of total deposits in the state.⁴ The Meridian branch controls \$7.7 million in deposits, representing less than 1 percent of total deposits in the state. On consummation of the proposal, Chickasaw would become the 247th largest commercial banking organization in Oklahoma, controlling \$15.2 million in deposits.

Considerations Relating to Competition and Convenience and Needs

Section 3 of the BHC Act and the BMA prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of a monopoly in any relevant banking market. The BHC Act and BMA also prohibit the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect

³ In this context, the term “depository institution” includes commercial banks, savings banks, and savings associations.

⁴ The deposit and ranking data are as of June 30, 2001.

of the proposal in meeting the convenience and needs of the community to be served.⁵

Bank and the Meridian branch do not compete in any relevant banking market. Based on all the facts of record, the Board has concluded that consummation of the proposal would have no adverse effect on competition or on the concentration of banking resources in any relevant banking market. Accordingly, the Board has determined that competitive factors are consistent with approval of the proposal.

Section 3 of the BHC Act and the BMA also require the Board to consider the effect of the transaction on the convenience and needs of the community to be served.⁶ In evaluating this factor, the Board places particular emphasis on the ratings received by the depository institutions involved in a proposal at their most recent examinations under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) (“CRA”). Bank received an “outstanding” CRA rating from its primary federal supervisor, the Federal Deposit Insurance Corporation, as of January 11, 1999. First National Bank of Oklahoma received a “satisfactory” CRA rating from its primary federal supervisor, the Office of the Comptroller of the Currency, as of October 12, 1999.

Bank has stated that it intends to retain its current retail banking activities in the Davidson community and to offer its products and services in the western Oklahoma City banking market through the acquisition of the

⁵ 12 U.S.C. § 1842(c)(1)(A) and (B); 12 U.S.C. § 1828(c)(5)(A) and (B).

⁶ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5).

Meridian branch. In addition, Bank intends to offer retail banking services to the Chickasaw Nation (the “Nation”) and other Native American tribes.

After reviewing all the information submitted by Chickasaw and Bank related to the convenience and needs factor and based on all the facts of record, the Board concludes that considerations relating to convenience and needs are consistent with approval.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act and the BMA require the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a bank acquisition proposal.⁷ As part of this analysis, the Board has reviewed Bank’s operating plan and the proposed management of Chickasaw and Bank. In addition, the Board has taken into account Chickasaw’s financial resources, including its capital levels and ability to serve as a source of strength to Bank. The Board also has reviewed confidential supervisory and examination information about Bank and publicly reported financial and other information about Bank and Chickasaw.

The Board also has considered that Chickasaw’s voting shares are owned by the Nation.⁸ The Nation would own and control Bank through

⁷ 12 U.S.C. § 1842(c)(2); 12 U.S.C. §1828(c)(5).

⁸ The stock of the applicant is owned by the Nation and would be voted by the Governor of the tribe in his official capacity. The Board previously has recognized that Native American tribes such as the Nation are considered domestic sovereigns and are therefore excluded from the BHC Act’s definition of “company.” E.g., Mille Lacs Bancorporation, 82 Federal Reserve Bulletin 336 (1996). Three bank holding companies currently are wholly owned by Native American tribes. See Bay Bancorporation,

Chickasaw, a registered bank holding company. The Board has accepted commitments from the Nation to ensure that its status as a domestic sovereign does not impede the ability of the federal banking agencies to supervise and enforce banking laws against any entity related to or affiliated with Chickasaw and Bank. The commitments recognize that the Nation and its affiliates are subject to limitations imposed by sections 23A and 23B of the Federal Reserve Act and the Board's Regulation O governing loans to insiders. The commitments also provide the Board with adequate assurances that the Nation and its affiliates will make available the information on their operations and activities that is necessary for the Board to determine and enforce compliance with applicable federal banking laws. The Nation and affiliated entities also acknowledge the jurisdiction of the Board to enforce compliance with banking laws and have agreed to the jurisdiction of the federal courts for purposes of enforcing these laws. In light of the commitments, and after considering all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Chickasaw and Bank are consistent with approval, as are other supervisory factors the Board is required to consider under the BHC Act and the BMA.

In addition, Bank has applied under Section 9 of the FRA to become a member of the Federal Reserve System and to establish a branch at its current location. The Board has considered the factors it is required to consider when reviewing applications pursuant to Section 9 of the FRA⁹ and finds those factors to be consistent with approval.

81 Federal Reserve Bulletin 791 (1995); Mille Lacs Bancorporation,
 82 Federal Reserve Bulletin 336 (1996); Native American Bancorporation,
 87 Federal Reserve Bulletin 747 (2001).

⁹ 12 U.S.C. § 322.

Conclusion

Based on the foregoing and after considering all the facts of record, the Board has determined that the applications should be, and hereby are, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors required to consider under the BHC Act, the FRA and the BMA. The Board's approval is specifically conditioned on compliance by Chickasaw, the Nation, and each affiliated entity with all the commitments and representations made in connection with the applications, including the commitments described in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of Bank may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors,¹⁰ effective December 14, 2001.

(signed)

Robert deV. Frierson

¹⁰ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, Gramlich, Bies, and Olson.

Deputy Secretary of the Board